

1350.0 - Australian Economic Indicators, Jan 2006

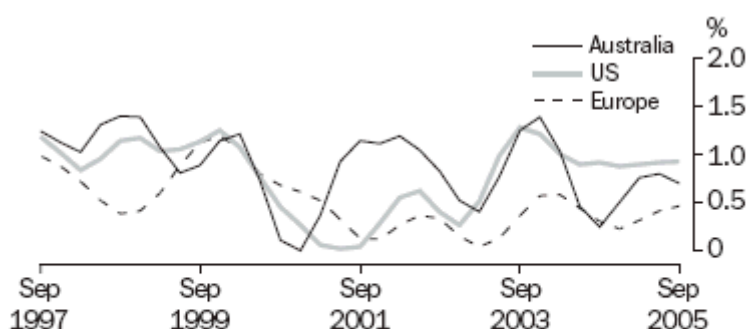
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The Quarterly Review refers to trend estimates unless otherwise specified.

OVERVIEW

Australia's September quarter trend GDP growth of 0.7% is comparable to other major economies but is still below the US growth of 0.9% (graph 1). During 2004 most developed countries were showing a slowdown in growth of GDP, but have recovered during 2005. Australian growth during the September quarter 2005 was driven by household consumption and private investment with offsets from public investment, net exports and inventories.

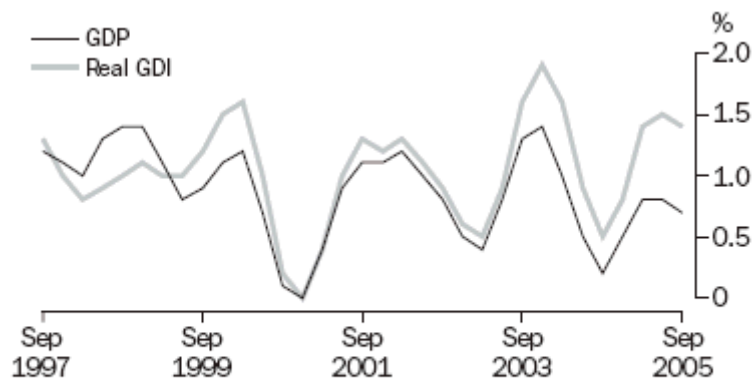
1 INTERNATIONAL ECONOMIC GROWTH, GDP VOLUME TREND, Quarterly %change



Source: Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0 & Organisation for Economic Co-operation and Development.

Through the year to September quarter 2005, trend real gross domestic income (GDI) has increased by 5.1% compared with an increase of 2.8% in trend volume GDP. Real GDI measures the purchasing power of the total incomes generated by domestic production, taking changes in the terms of trade into account. The chain volume measure of GDP is a measure of the volume of production within Australia. However, the total real income that Australians derive from this production also depends on the volume of imports able to be purchased from the proceeds of Australia's exports to the rest of the world. Over the past year, Australia's terms of trade have increased by 12.5%, so a given volume of exports will enable Australians to purchase a higher volume of imports than was the case in September quarter 2004. See also graph 21 below.

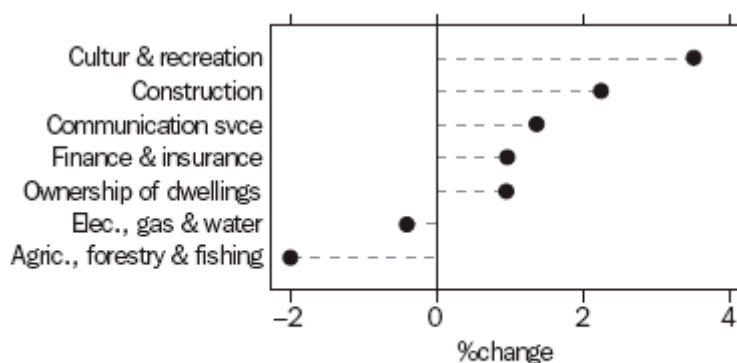
2 CHAIN VOLUME OF GDP AND REAL GDI, Trend— Quarterly % change



Source: Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0.

Most industries made positive contributions to production chain volume measures in the September quarter 2005 (graph 3). The strongest quarterly increases were from cultural and recreation services (up 3.5%), construction (up 2.2%) and communication services (up 1.4%). Negative contributors to growth in GDP were agriculture, forestry and fishing (down 2.0%) and electricity, gas and water (down 0.4%).

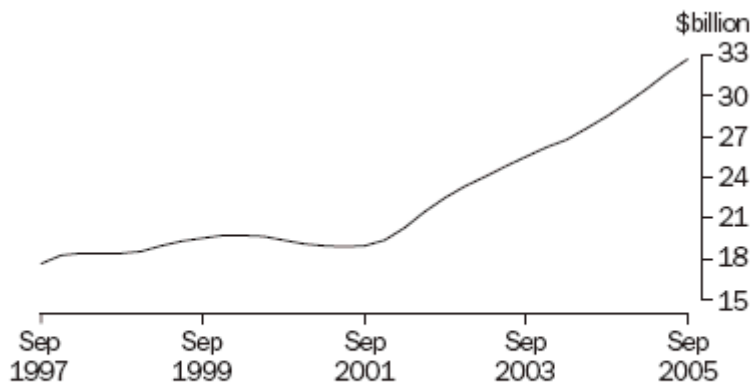
3 GROSS VALUE ADDED BY INDUSTRY, Trend— Quarterly %change—September Qtr 2005



Source: Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0.

Business investment contributed 0.4 percentage points of the 0.7% increase in GDP in the September quarter. Graph 4 shows the strong increase in business investment over the last few years. Investment in the resources sector has been high for several years, partly in response to the strength of China's demand for minerals and energy. New machinery and equipment purchases in the resources sector increased significantly during the quarter, as did spending on new road and rail projects, especially through public-private partnerships between state governments and the private sector. The investment boom should allow businesses to lift export capacity in future quarters.

4. TOTAL PRIVATE BUSINESS INVESTMENT, Chain volume measure, Trend

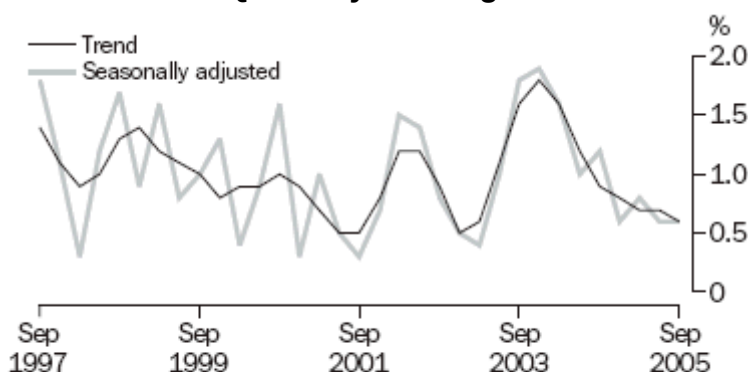


Source: Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0.

CONSUMPTION

In the September quarter 2005 the chain volume measure of household final consumption expenditure (HFCE) grew by 0.6% in both trend and seasonally adjusted terms (graph 5). The strongest trend growth rates were recorded for alcoholic beverages (up 1.2%), recreation and culture (up 1.1%) and insurance and other financial services (up 1.0%). There were only four components which fell; operation of vehicles (down 1.6% due to declines in fuel volumes), transport services (down 0.8%), cigarettes and tobacco (down 0.3%) and electricity, gas and other fuel (down 0.2%).

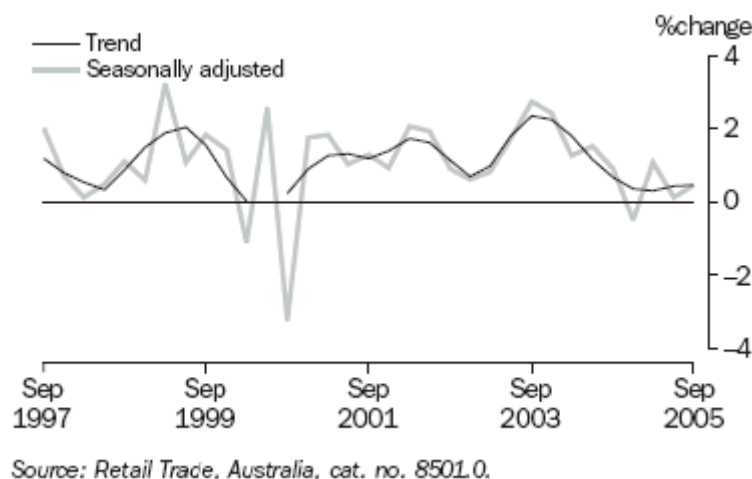
5 HOUSEHOLD FINAL CONSUMPTION EXPENDITURE, Chain volume measure— Quarterly %change



Source: Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0.

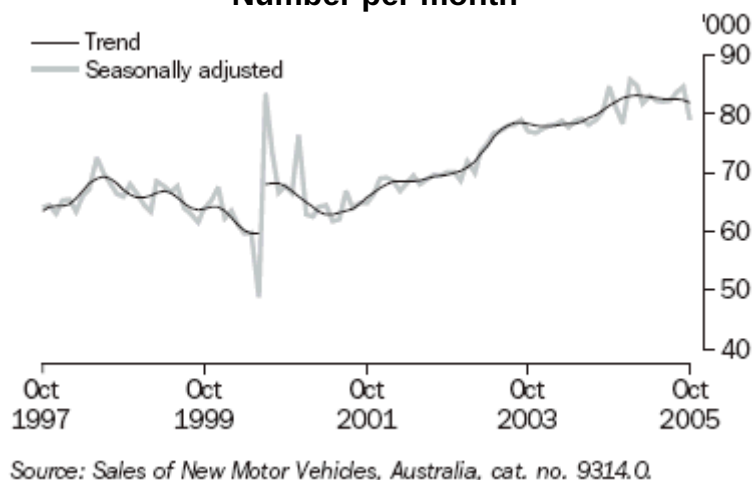
In the September quarter 2005, retail turnover rose by 0.5% in trend chain volume terms, following an increase of 0.4% for the June quarter 2005. Five of the seven industries showed increases this quarter, with clothing and soft good retailing up 1.4%, food retailing up 1.1%, household good retailing up 0.9%, hospitality and services up 0.5% and department stores up 0.1%. Other retailing fell by 3.1% and recreational good retailing fell 0.2%.

6 RETAIL TURNOVER, Chain volume measure, Trend— Quarterly %change



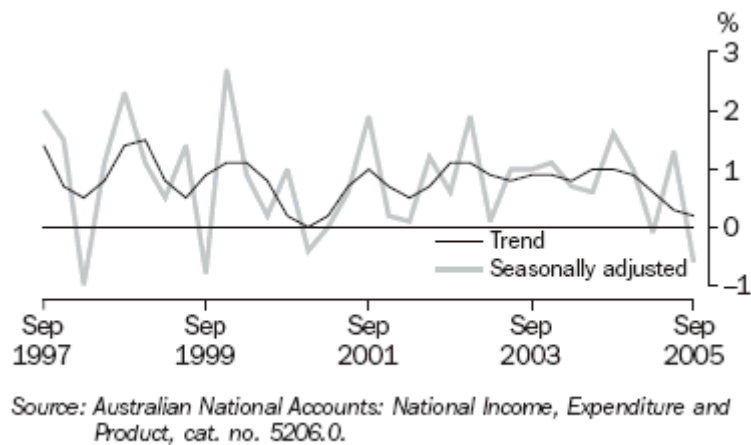
The trend estimate for sales of new motor vehicles (excluding motor cycles) fell by 0.5% from September 2005 to 81,955 in October 2005 (graph 7). The trend estimate for October 2005 is 0.7% higher than the October 2004 estimate (81,385). In October 2005, decreases were recorded in the trend estimate for sales of new passenger vehicles (-0.7%) and other vehicles (-0.3%) compared with September 2005, while sales of sport utility vehicles showed a rise of 0.3%. Most states and territories recorded decreases in the trend estimate for sales of new motor vehicles in October 2005 compared with September 2005, with the Northern Territory (-1.4%) recording the largest decrease. Western Australia, Victoria and South Australia recorded increases over this time.

7 NEW MOTOR VEHICLE SALES, Number per month



The trend chain volume measure of national general government final consumption expenditure (GFCE) excluding defence rose 0.3% in the September quarter 2005 (graph 8) and 3.0% between September 2004 and September 2005. The trend chain volume measure of defence final consumption expenditure fell by 0.4% in the September quarter, following three quarters of rises. This means there is a rise of 1.2% between September quarter 2004 and September quarter 2005.

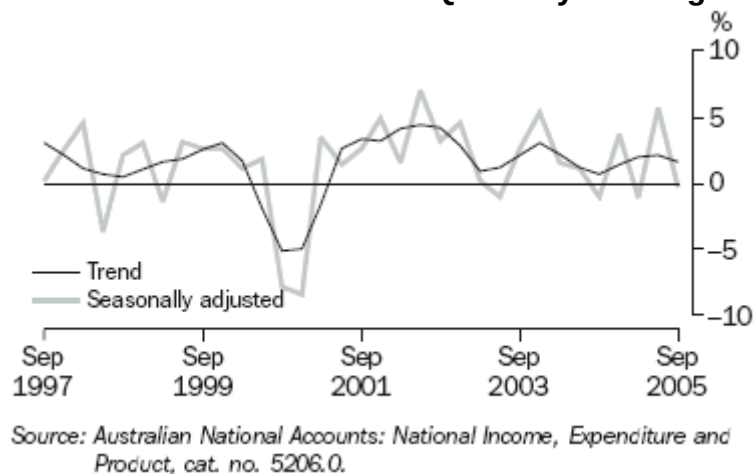
8 GOVERNMENT FINAL CONSUMPTION EXPENDITURE, (Excluding defence) Chain volume measure— Quarterly %change



INVESTMENT

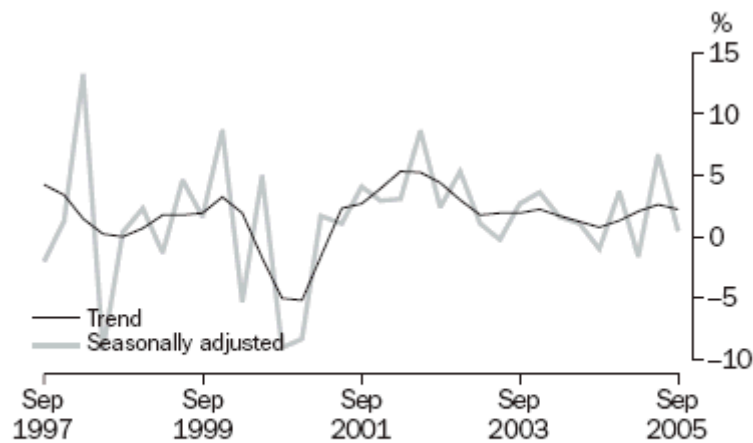
The trend chain volume measure of total gross fixed capital formation (GFCF) rose by 1.6% in the September quarter 2005, following rises in the previous seventeen quarters (graph 9). The trend is now 7.3% above that of the September quarter 2004.

9 TOTAL GROSS FIXED CAPITAL FORMATION, Chain volume measure— Quarterly %change



The trend chain volume measure of total private gross fixed capital formation rose by 2.2% in the September quarter 2005 (graph 10), while public gross fixed capital formation fell by 1.6%. In the private sector, dwellings rose by 1.0%, non-dwelling construction rose by 3.3%, and machinery and equipment rose 3.0%. Livestock rose by 0.3%, intangible fixed assets rose by 1.4% and ownership transfer costs fell 0.4%. For public GFCF, public corporations fell by 2.8%, national general government rose by 1.3%, and state and local general government fell by 1.1%.

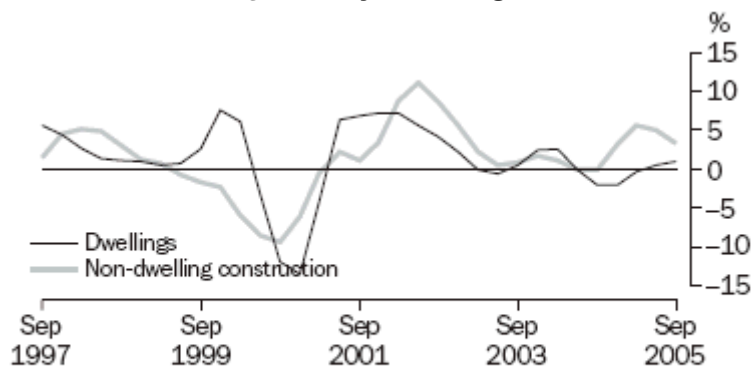
10 PRIVATE GROSS FIXED CAPITAL FORMATION(PGFCF), Chain volume measure— Quarterly %change



Source: Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0.

Trend total GFCF for private dwellings rose by 1.0% in the September quarter 2005 (graph 11). New and used dwellings rose by 1.7% while alterations and additions rose by 0.2%. Expenditure on non-dwelling construction rose by 3.3%. There was a 3.1% rise in new engineering construction and a 3.1% rise in new building.

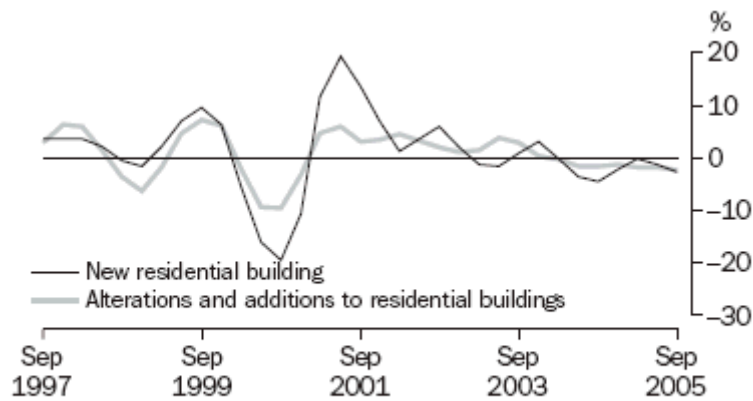
11 PRIVATE GFCF: SELECTED COMPONENTS, Chain volume measure, Trend— Quarterly %change



Source: Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0.

The trend chain volume measure of the value of building approvals rose by 1.1% in the September quarter 2005. There was a 2.7% fall in total residential building while non-residential building rose by 5.8%. New residential building fell 2.7% while alterations and additions to residential buildings fell 2.3% (graph 12). The fall in new residential building was due to a 0.2% fall in new houses and a fall of 7.5% in new other residential building. Some building approvals do not proceed, and there is a lag of a few months until work occurs for those that do. Also, when there are interest rate changes these influence approvals (see the feature article on the relationship between changes in interest rates and building approvals in the November 2001 issue of AEI).

12 VALUE OF RESIDENTIAL BUILDING APPROVALS, Chain volume measure, Trend— Quarterly %change

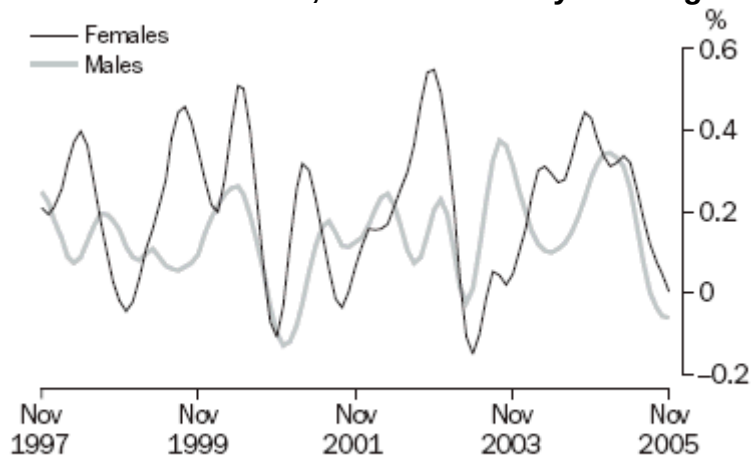


Source: Building Approvals, Australia, cat. no. 8731.0.

LABOUR MARKET

In November 2005 employment continued to fall, while unemployment remained steady. In November 2005, the trend total number of employed persons fell marginally from the previous month to 10,028,400. Female employment rose marginally to 4,507,600 while male employment fell 0.1% to 5,520,800 (graph 13). Full-time employment fell 0.1% to 7,134,100 while part-time employment rose 0.2% to 2,894,300.

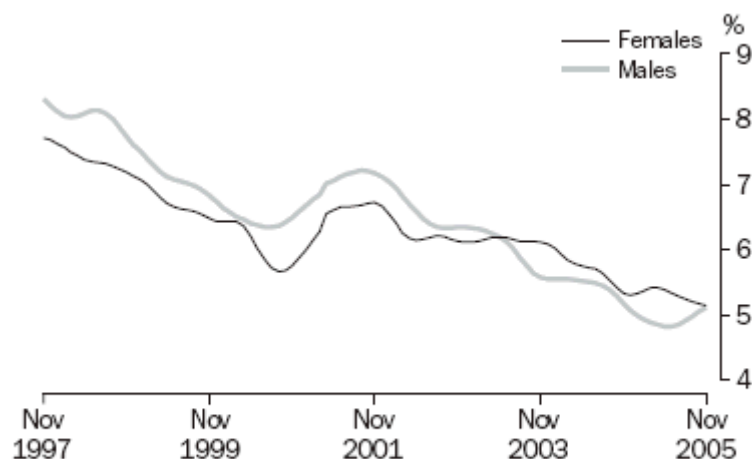
13 EMPLOYMENT, Trend—Monthly %change



Source: Labour Force, Australia, cat. no. 6202.0.

In November 2005, the trend unemployment rate remained steady at 5.1%. The male unemployment rate rose 0.1 percentage point to 5.0% and the female unemployment rate fell 0.1 percentage point to 5.1% (graph 14). In November 2005 the number of persons looking for full-time work rose 0.8% to 386,000 and the number of persons looking for part-time work fell 0.6% to 155,500.

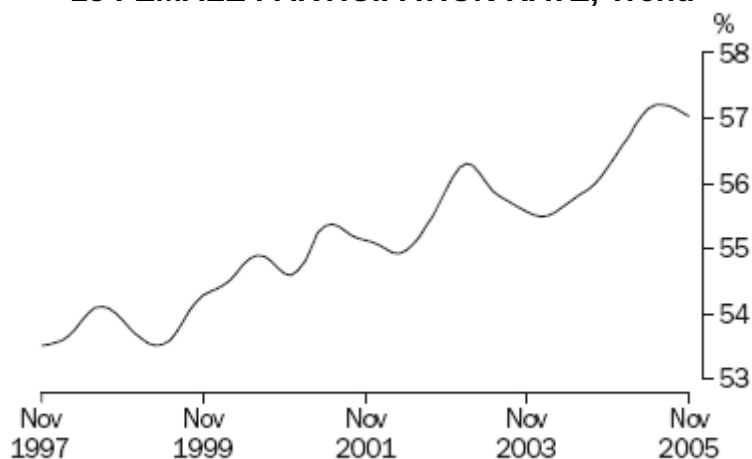
14 UNEMPLOYMENT RATE, Trend



Source: Labour Force, Australia, cat. no. 6202.0.

In November 2005, the overall participation rate fell 0.1 percentage point to 64.4%. The female participation rate fell 0.1 percentage point to 57.0% (graph 15) while the male participation rate remained around 72.1% (graph 16).

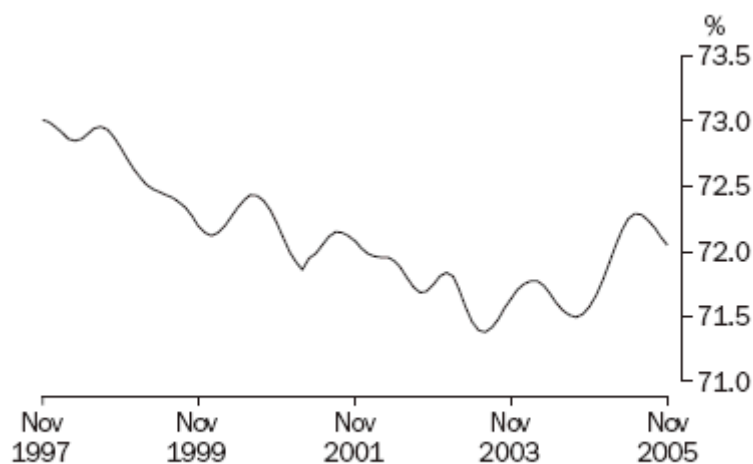
15 FEMALE PARTICIPATION RATE, Trend



Source: Labour Force, Australia, cat. no. 6202.0.

The trend chain volume measure of market sector GDP per hour worked rose by 0.3% in the September quarter 2005 (graph 17). Hours worked in the market sector rose by 0.3% and market sector GDP rose 0.5%. Market sector GDP per hour worked is a measure of labour productivity and in trend terms this is the second quarter to show a rise after four quarters of negative growth. Note however that this measure is also affected by the contribution of capital and other factors to changes in production as well as changes in the overall quality of labour input. Further details about this effect can be found in the feature article 'Estimates of productivity in the Australian national accounts', available on the ABS web site at www.abs.gov.au (Ausstats – Publications – 5206 September 2005 – Main Features).

16 MALE PARTICIPATION RATE, Trend



Source: Labour Force, Australia, cat. no. 6202.0.

17 LABOUR PRODUCTIVITY (PROXY) TREND, GDPMarket sector, Chain volume measure— Quarterly %change

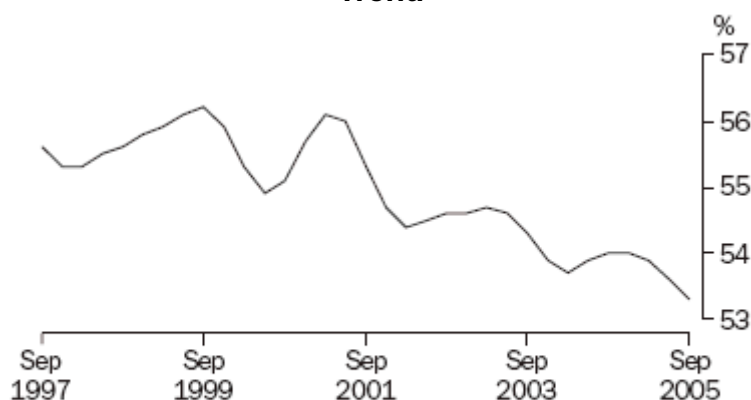


Source: Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0.

INCOME

Total factor income is derived by summing compensation of employees, gross operating surplus and gross mixed income. In the September quarter 2005, the wages share of total factor income fell to 53.3% (graph 18). Compensation of employees rose by 1.8%, reflecting a rise of 1.1% in average earnings and a 0.7% rise in the number of wage and salary earners.

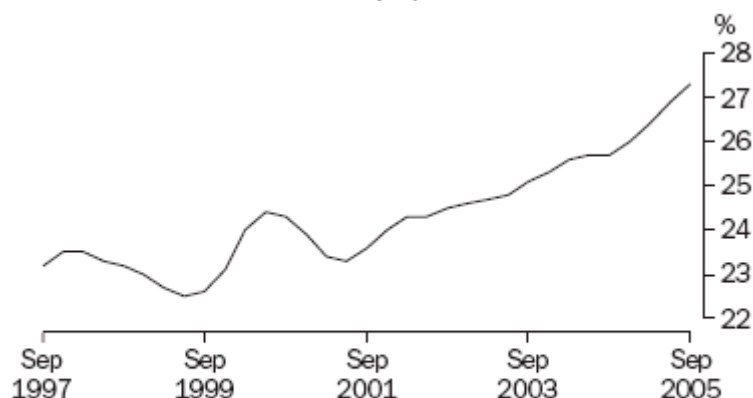
18 WAGES SHARE OF TOTAL FACTOR INCOME, Trend



Source: Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0.

In the September quarter 2005, the profits share of total factor income rose to 27.3% (graph 19). This profit measure comprises the gross operating surplus (GOS) of financial and non-financial corporations, which rose by 3.7% in the September quarter following a 4.4% rise in the June quarter 2005.

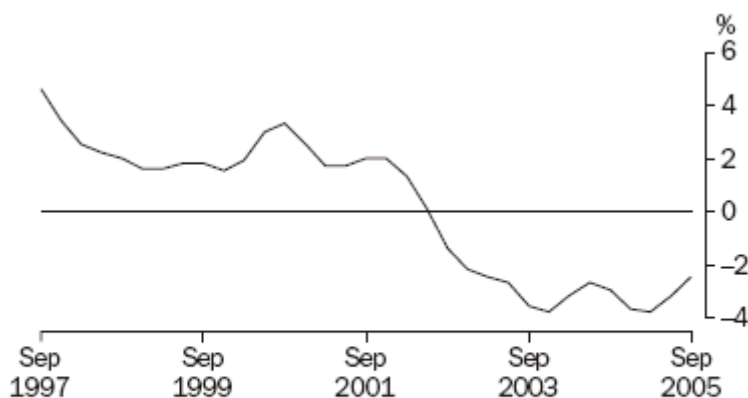
19 PROFITS SHARE OF TOTAL FACTOR INCOME, Trend



Source: Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0.

The household saving ratio was negative in the September quarter 2005, implying that household consumption was greater than household disposable income. In trend terms the ratio was -2.5% (graph 20). This ratio is being driven by expenditure growing faster than disposable income. Caution should be exercised in interpreting the household saving ratio in recent years, because major components of household income and expenditure may still be subject to significant revisions. The impact of these revisions on the saving ratio can cause changes in the apparent direction of the trend.

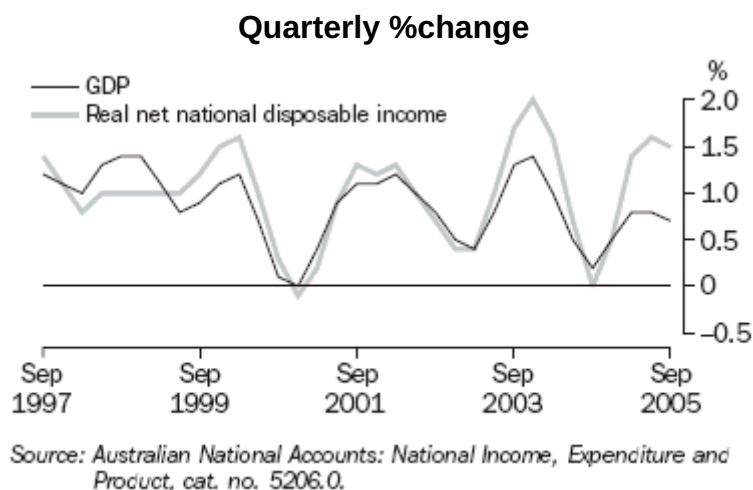
20 HOUSEHOLD SAVING RATIO, Trend



Source: Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0.

During the September quarter 2005 trend real net national disposable income rose by 1.5%, compared to the increase in the trend chain volume measure of GDP of 0.7% (graph 21). Real net national disposable income (RNNDI) is a broad measure of economic well-being. This measure adjusts the chain volume measure of GDP for the terms of trade effect, real net incomes from overseas and consumption of fixed capital. For further details about RNNDI see the feature article in the April 2002 issue of AEI.

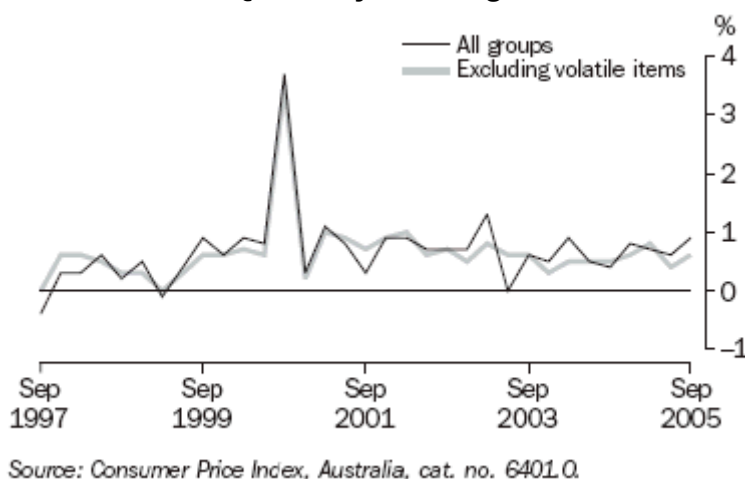
21 GDP AND REAL NET NATIONAL DISPOSABLE INCOME, Chain volume measure, Trend—



CONSUMER PRICES

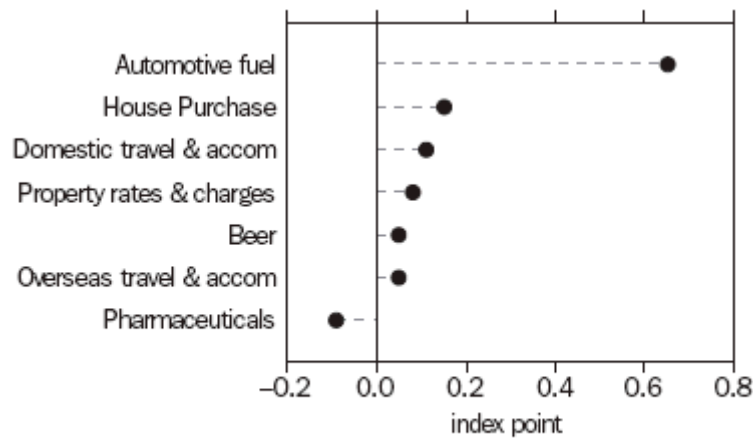
This commentary refers to original estimates unless otherwise specified. In the September quarter 2005, the all groups consumer price index (CPI) rose by 0.9%, compared with a rise of 0.6% in the June quarter 2005 (graph 22). The major contributors at the group level were transportation (up 3.3%), housing (up 1.4%), recreation (up 1.2%) and food (up 0.8%). Health (down 1.1%) and communication (down 0.7%) provided offsetting price decreases.

22 CONSUMER PRICE INDEX, Quarterly %change



Graph 23 shows the major contributors to the change in the CPI for the September quarter. The 11.6% rise in automotive fuel contributed 0.65 index points to the 0.9% rise in the CPI. The 1.2% price rise in house purchase contributed 0.15 index points to the rise in the CPI. House purchase rose in all capital cities except Brisbane, with builders reporting material costs and labour and tradesmen's costs as the main contributing factors. The 3.4% rise in domestic holiday travel and accommodation was due to increases in both the fares and accommodation components with peak prices applying in both the first and last month of the quarter, coinciding with the occurrence of school holidays in most capital cities at some time in these two months. The increase in property rates and charges (5.0%) was mainly due to the annual review of these prices by State and local government authorities. The fall in the net cost of pharmaceuticals (-4.8%) was a direct result of the cyclical effect of the Pharmaceutical Benefits Scheme safety net.

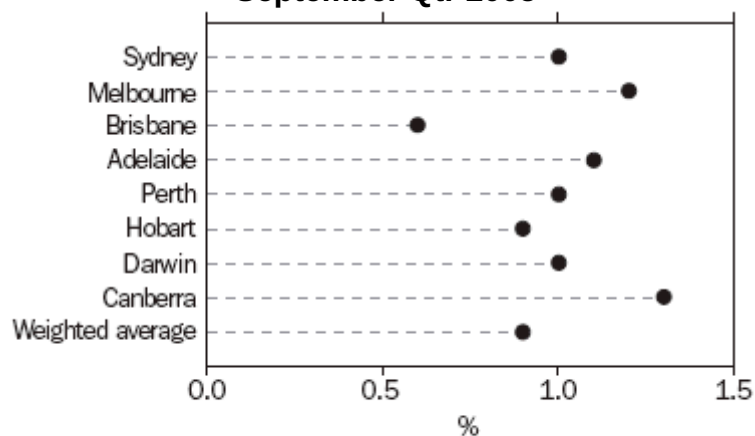
23 MAJOR CONTRIBUTIONS TO CHANGE IN THE CPI, Quarterly contribution to change— September Qtr 2005



Source: Consumer Price Index, Australia, cat. no. 6401.0.

At the all groups level, the September quarter 2005 CPI rose in all capital cities (graph 24). The increases ranged from 0.6% in Brisbane to 1.3% in Canberra. The higher result for Canberra was mainly due to that city recording above average increases (or smaller decreases) in clothing and footwear, household contents and services, health, transportation and recreation. The lower result in Brisbane was largely due to that city recording price movements for food, alcohol and tobacco, household contents and services and recreation that were well below the national average and the lowest of all capital cities.

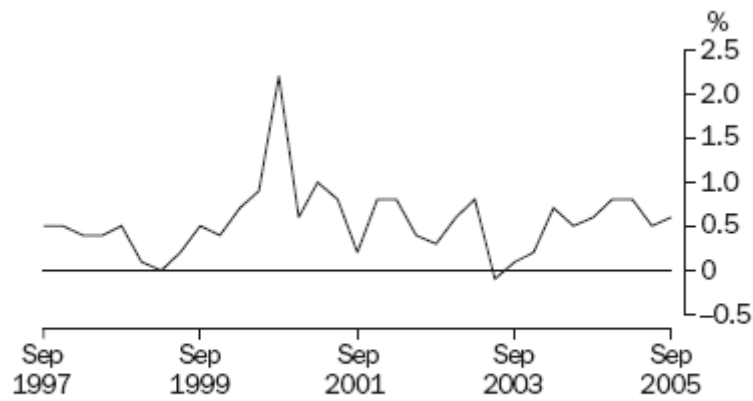
24 ALL GROUPS, Quarterly %change— September Qtr 2005



Source: Consumer Price Index, Australia, cat. no. 6401.0.

The national accounts domestic final demand chain price index rose 0.6% in the September quarter 2005, following a rise of 0.5% in the June quarter (graph 25). The domestic final demand chain price index is a broad based measure of price change and comprises final consumption and capital expenditure, for both private and public sectors. The chain price index for final consumption expenditure rose by 0.7% (by 0.8% for households and no change for general government), while the chain price index for gross fixed capital formation rose by 0.6% (by 0.6% for private and by 0.4% for public).

25 DOMESTIC FINAL DEMAND CHAIN PRICE INDEX, Quarterly %change

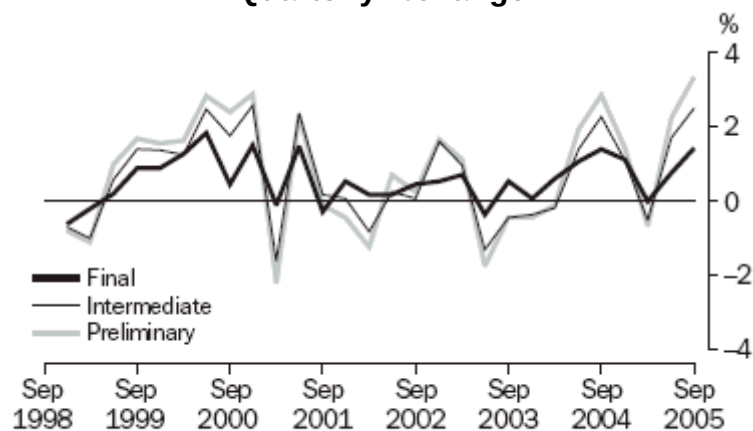


Source: Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0.

PRODUCER PRICES

This commentary refers to original estimates unless otherwise specified. The final (Stage 3) stage of production price index rose 1.5% in the September quarter 2005 (graph 26). For the final (Stage 3) index, there was a rise of 1.4% in domestic commodities mainly due to increases in building construction and petroleum refining, and a 1.2% rise in imported commodities due to price rises for consumption goods. The intermediate (Stage 2) stage of production index rose by 2.5%, due to a rise of 2.3% in the domestic component and a 3.2% rise in the imports component. The preliminary (Stage 1) stage of production producer price index rose by 3.4%, due to a rise of 3.2% in the domestic component and a rise of 4.7% in the imports component.

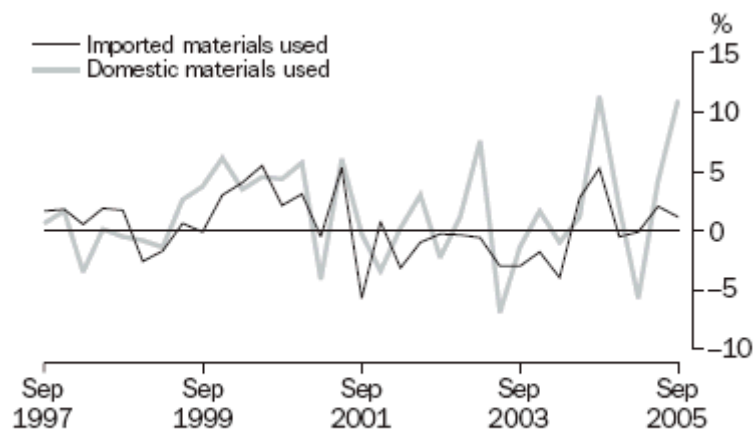
26 STAGE OF PRODUCTION INDEXES, Quarterly %change



Source: Producer Price Indexes, Australia, cat. no. 6427.0.

In the September quarter 2005, the price index of materials used in manufacturing industries rose by 8.1% (graph 27). There was an 11.0% rise in domestic materials and a 1.1% rise in imported materials. Increases in the price of crude oil (both domestic and imported), iron ore, cattle and calves, coal, and sheep and lambs were the main contributors to the quarterly result. Price falls for imported iron and steel provided some offsets to these increases.

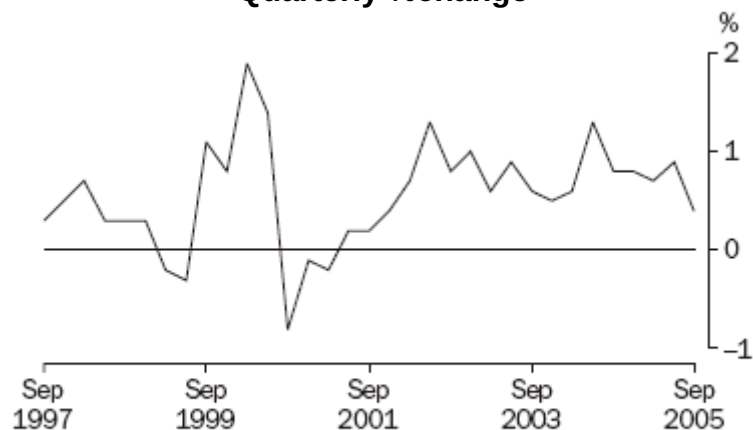
27 MANUFACTURING INDUSTRY PRICE INDEXES, Quarterly %change



Source: Producer Price Indexes, Australia, cat. no. 6427.0.

The price index for materials used in house building rose by 0.4% in the September quarter 2005 (graph 28), reflecting price increases for a range of materials. The most significant contributors to the increase were clay bricks, aluminium windows and doors, and metal roofing and guttering. The largest offsetting price fall was recorded for plastic pipes and fittings. Increases were recorded in all state capitals, ranging from 0.2% in Sydney to 1.0% in Hobart. Through the year to September quarter 2005, the price index for materials used in house building rose 2.8%.

28 MATERIALS USED IN HOUSE BUILDING, Quarterly %change



Source: Producer Price Indexes, Australia, cat. no. 6427.0.

The export price index rose by 4.7% in the September quarter 2005 (graph 29), following a 9.3% increase in the June quarter 2005. The increase this quarter was again mainly driven by price rises for materials used in steel making, such as coking coal and iron ores. Price rises for exports of crude petroleum oils and gases, as well as gold, aluminium and live bovine animals also contributed to the increase this quarter. The most significant offsetting price decreases were observed for exports of nickel, fresh beef and alumina. The import price index rose by 2.6% in the September quarter 2005 (graph 29). The most significant contributors to the increase were crude and other petroleum oils. There were no significant offsetting price decreases.

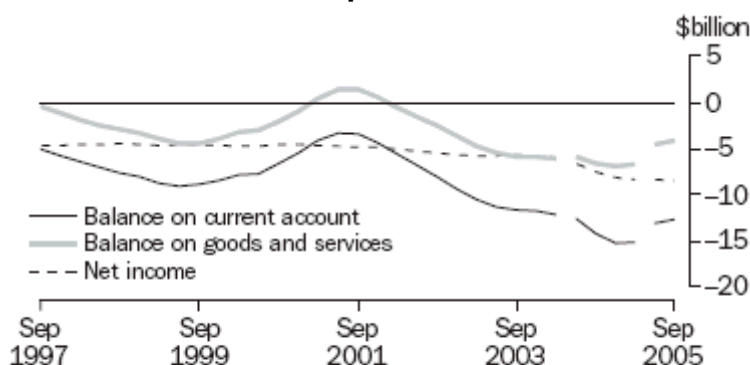
29 EXPORT AND IMPORT PRICE INDEXES, Quarterly %change



INTERNATIONAL

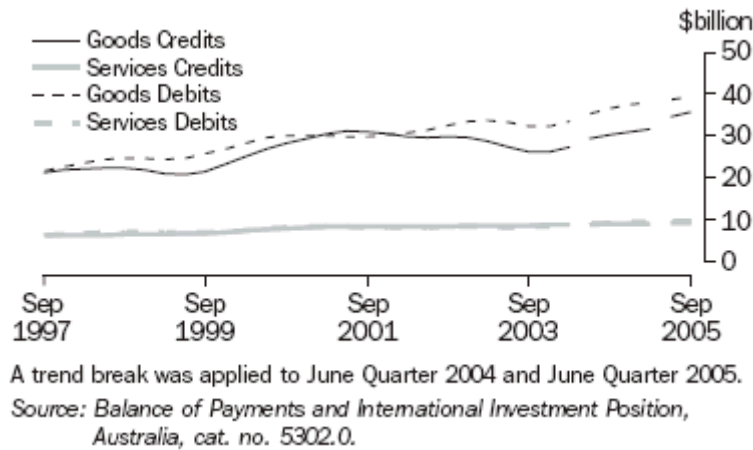
In the September quarter 2005 the trend current account deficit was \$12.6b. This was a decrease of \$0.4b on the revised June quarter 2005 deficit (graph 30). The main contributor to the decrease in the deficit was goods credits, which rose \$1.1b (3%) partly offset by increases in goods debits of \$0.6b (2%). The prices of coal, coke and briquettes export commodities significantly increased in September quarter 2005 although the volumes of exports fell. These higher price levels were a major contributor to the increase in goods credits. A similar effect occurred with metal ores and minerals export commodities. The trend estimate of the net income deficit rose \$98m (1%) to \$8,442m.

30 CURRENT ACCOUNT, MAIN AGGREGATES, Current prices, Trend



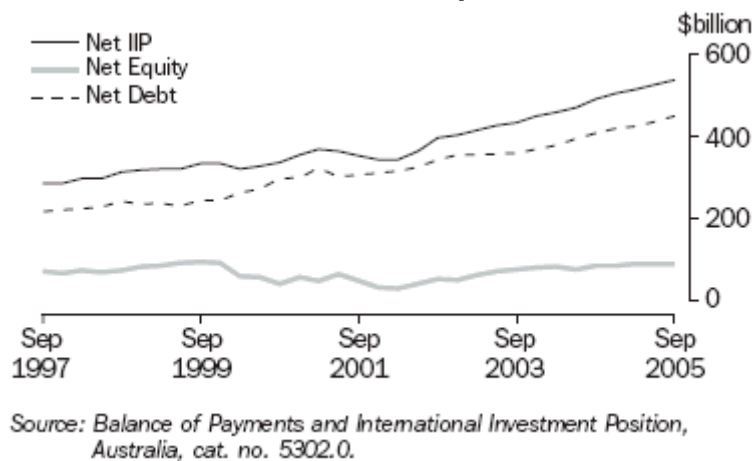
The trend estimate of the balance on goods and services at current prices was a deficit of \$4.1b, a decrease of \$0.5b on the June quarter 2005 deficit (graph 30). The value of goods that Australia imports (debits) rose \$0.6b (2%) to \$39.4b in the September quarter 2005, while goods exported (credits) rose \$1.1b (3%) to \$35.6b (graph 31). The trend estimate of net services was a deficit of \$0.3b, a rise of \$0.1b on the June quarter 2005 deficit.

31 BALANCE OF PAYMENTS, GOODS AND SERVICES, Current prices, Trend



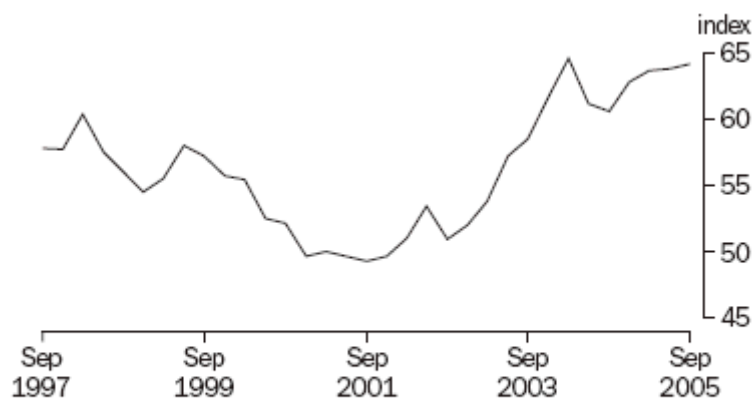
Australia's net international investment position rose \$12b to a net foreign liability of \$539b at 30 September 2005. Net debt liabilities rose \$12.7b (2.9%) to \$449.7b. Net debt raisings of \$16.2b and other adjustments of \$0.6b were offset by price changes of -\$3.4b and exchange rate changes of -\$0.8b. Net equity liabilities fell by \$0.7b (0.8%), to \$86.3b (graph 32), reflecting transactions of -\$1.7b and other adjustments of -\$0.2b. Partially offsetting these decreases were price changes of \$0.6b and exchange rate changes of \$0.6b.

32 INTERNATIONAL INVESTMENT POSITION, Levels at end of period



Graph 33 shows the Trade Weighted Index (TWI) of the value of the \$A. In the September quarter 2005 the quarterly average TWI rose to 64.2 (from 63.8 in the previous quarter). The period average exchange rate for the Japanese yen rose to 84.5 per \$A (from 82.64 in the previous quarter), and the period average exchange rate for the United States dollar fell to 0.7597 per \$A (from 0.7684 the previous quarter).

33 TRADE WEIGHTED INDEX OF VALUE OF THE \$A, Quarterly Average, May 1970=100



Source: *Balance of Payments and International Investment Position, Australia, cat. no. 5302.0.*

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